



UNITED STATES OF AMERICA
RAILROAD RETIREMENT BOARD
844 NORTH RUSH STREET
CHICAGO, ILLINOIS 60611-2092

SEP 05 2003

BOARD MEMBERS:

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JEROME F. KEVER, MANAGEMENT MEMBER

The Honorable Joshua B. Bolten
Director
Office of Management and Budget
Washington, D.C. 20503

Dear Mr. Bolten:

In compliance with Office of Management and Budget (OMB) Circular No. A-11, enclosed is our budget request for fiscal year 2005. We are also submitting our request concurrently to the Congress in accordance with Section 7(f) of the Railroad Retirement Act. Resources needed for the Office of Inspector General are not addressed in this submission. That office will submit a separate request concerning its needs.

We are requesting \$110,938,000 to fund ongoing operations of the Railroad Retirement Board (RRB) in fiscal year 2005. This funding would allow the RRB to continue providing high quality customer service and to achieve key objectives for financial and management operations, as shown in the enclosed Performance Budget. As provided for in OMB guidance, this submission also includes a base level budget for administrative expenses totaling \$102 million.

In addition, we have enclosed a separate Enterprise Architecture Capital Asset Plan for Fiscal Years 2005-2007. The RRB has adopted a multi-year strategy that addresses several initiatives identified during the development of the agency's enterprise architecture. This plan indicates that the RRB will need an additional \$4,947,800 in fiscal year 2005 to begin development of the target architecture identified during this process.

We estimate that the agency request level budget would fund 1,058 full-time equivalent employees (FTE's) in fiscal year 2005. This level is 23 FTE's less than our staffing for the current year, and could be reached through attrition. At the base level, the budget would fund only 995 FTE's, which is 86 fewer FTE's than the current year. In order to reach this

level, it would be necessary to implement an immediate hiring freeze and to conduct a reduction-in-force of about 36 employees at the beginning of fiscal year 2005. Consistent with OMB guidance, these projections reflect assumed cost-of-living/locality pay increases of 2.0 percent in January 2004, and 3.4 percent in January 2005. If the pay increase scheduled for January 2004 is raised to 4.1 percent, as is now expected, our costs for salary and benefits in fiscal year 2005 will increase by approximately \$1.9 million.

This submission includes the RRB's Performance Budget for Fiscal Year 2005, which compares our expected level of performance at the base and agency request levels of funding, as well as specific actions we plan to take in support of the Administration's government-wide reforms. As the plan shows, funding of \$110,938,000 is needed in fiscal year 2005 to maintain and improve service to our customers, including railroad employees, railroad retirees and their survivors, unemployed railroad workers, and railroad employers. At a lower level of funding, the processing of retirement applications and unemployment and sickness insurance claims would be delayed, accuracy rates would decline, and customers would have to wait longer for replies to their inquiries. Loss of key personnel who are knowledgeable, well-trained and productive would also affect performance in key support activities, such as program integrity and debt collection. The significant reduction in staffing would deliver a severe blow to the agency's succession planning efforts, which have been undertaken pursuant to the President's Management Agenda.

At both budget levels, funding would be very limited for information technology improvements, which are needed to expand the level of e-government support to railroad employers and the public. At the agency request level of the budget, we would have only \$1,625,000 for information technology investments which we consider essential for meeting current demands for customer service and other standards of performance. At the base level of the budget, funding for information technology investments would decline to \$1,325,000. Neither level of information technology funding would begin to address the gaps identified by the enterprise architecture process between our current state and the target architecture identified in the agency's Enterprise Architecture Strategic Plan.

In order to meet our long-term goals for customer service and to comply with the initiatives for e-government in the President's Management Agenda, the RRB will need to undertake a multi-year effort to implement a new enterprise architecture. Our vision and strategy for this effort are contained in our Enterprise Architecture Strategic Plan, which was developed through an agency-wide collaborative effort. The plan calls for development of an information environment that ultimately can support the interoperability of all electronic operations and effective internal and external communications, through an adaptive and flexible infrastructure that is proactive in addressing business needs and challenges, with appropriate levels of security.

The enclosed Enterprise Architecture Capital Asset Plan (EACAP) presents our strategy for achieving this vision. The EACAP is presented in a separate format because of its significance to the long-term continued viability of the agency programs and the realization that movement toward the desired target architecture will be a multi-year effort. The EACAP addresses initiatives in four key areas: modernization of infrastructure, modernization of current processing systems, development of a metadata repository, and expansion of e-government services through the RRB's Internet website. These initiatives are essential to developing an effective, efficient distributed environment that will enable the integration and transparency of data and applications; instituting a proactive rapid response development environment; and fostering the assessment and reengineering of processes to incorporate architectural principles such as reuse, component design and consolidation. Unless the agency begins this effort, it will be difficult and costly to maintain our current systems, many of which were developed over 20 years ago.

In addition to the requests for administrative expenses, this budget submission includes a request for \$108 million to fund the continuing phase-out costs of vested dual benefits, plus a 2 percent reserve of \$2.16 million to become available if needed. As directed by OMB's guidance, this request for funding represents our best actuarial estimate of the expected costs of vested dual benefits in fiscal year 2005. We also request \$150,000 for estimated interest related to uncashed checks. The appropriation for the uncashed checks would remain available through September 30, 2006.

In accordance with, and pursuant to, Section 15(b) of the Railroad Retirement Act, the Railroad Retirement Board also continues to request appropriations to the Federal Payments to the Railroad Retirement Accounts for reimbursement of costs (including interest and administrative expenses) for crediting military service not reimbursed under the financial interchange. Section 15(b) requires that these reimbursements from the general funds be authorized in advance by an appropriation act. The fiscal year 2005 appropriation request includes \$195,892,062 for applicable military service credits through December 1999, with interest through August 1, 2003.

Included in the budget submission are four agency legislative proposals. Briefly, these proposals would: 1) amend the Railroad Retirement Act to provide on a permanent basis that the RRB, a trust fund agency, would continue to pay the General Services Administration actual costs for rent, not full commercial rent, 2) amend the Railroad Retirement Act to provide that, notwithstanding any other law, employees of covered railroad employers shall be issued social security numbers, 3) amend the Social Security Act to provide access for the RRB to the National Directory of New Hires, and 4) amend the Railroad Retirement Act to make several technical corrections in the amendments added by the Railroad Retirement and Survivors' Improvement Act of 2001. The proposed

technical corrections include a provision to allow for continued payment of railroad retirement annuities by the Department of the Treasury rather than a non-governmental disbursement agent. Initial market surveys have indicated that contracting with a non-governmental agent would increase the RRB's annual operating costs by approximately \$2.1 million and would diminish the level of service provided to railroad retirement beneficiaries.

Finally, our budget request assumes that the RRB will continue to pay actual costs to the General Services Administration (GSA) for rental of space. If GSA were to charge the RRB the commercially equivalent rate for space in fiscal year 2005, the change would increase our rental costs and total costs by approximately \$3.6 million.

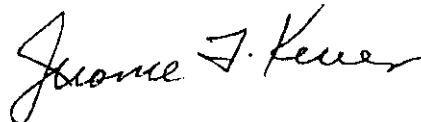
As required by Section 1108(c) of Title 31, United States Code, we certify that all statements of obligations furnished to OMB in connection with our requests for proposed appropriations for fiscal year 2005 consist of valid obligations as defined in Section 1501(a) of that title.

Sincerely,



Michael S. Schwartz

V. M. Speakman, Jr.
V. M. Speakman, Jr.



Jerome F. Kever

Enclosure